

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4561-03
Bill No.: SCS for HCS for HB 1443
Subject: Public Assistance
Type: Original
Date: April 16, 2018

Bill Summary: This proposal modifies provisions relating to certain prohibited uses of TANF and SNAP benefits and SNAP work requirements.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$117,450)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$117,450)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Federal*			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenses for FY 2019 exceed \$990,000 and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§208.024 - Restricts benefit card use

Officials from the **Department of Social Services (DSS), Family Support Division (FSD)** state Federal law passed in 2012 (42 U.S.C. 608(a)(12)) requires states to implement policies and practices to prevent TA benefits from being used in any liquor store, casino, gambling casino, gaming establishment, or adult-oriented entertainment establishment. FSD has created a claims process, and procedures are in place if eligible TA participants make an EBT (electronic benefit transfer) purchase in violation of section 208.024. The recipient is currently required to reimburse the state at each offense. This policy is in place and being practiced. However, additional systems updates will be needed to disqualify the recipient at the third offense or more for a period of two years. The FSD feels it can accomplish this with existing resources.

While current law and procedure is in place for TANF to prohibit transactions in restricted locations, if an establishment is an authorized Food and Nutritional Services (FNS) retailer, a participant can use their food stamps to purchase FNS qualifying items. Food Stamp EBT cards do not allow the purchase of liquor, tobacco, pornography, and/or lottery tickets. However, there is no way to block ineligible TANF purchases of liquor, tobacco, pornography, and/or lottery tickets at non-restricted EBT retailers such as gas stations, grocery or convenience stores.

Section 208.024.5 - Using EBT Cards at ATM Machines

This new section states that subject to federal approval, no recipient of TANF or SNAP benefits shall use an EBT card to obtain cash from any automated teller machine (ATM) or point-of-sale terminal or otherwise access the benefits as cash.

This section will only impact the TANF population, as food stamps cannot be used at an ATM, to get cash back or to otherwise access the benefit as cash. The Department of Health and Human Services (DHHS) does not require a waiver to implement restrictions of EBT card usage and allows states to use their own discretion when implementing policies and procedures regarding use of EBT cards. A small portion of TANF participants who receive their benefit via direct deposit into a personal checking or savings account would not be affected.

To implement this legislation, EBT TANF could only be accessed via a cash purchase transaction performed on a Point of Sale (POS) terminal. All other cash transactions would be turned off or denied.

ASSUMPTION (continued)

Currently, Missouri's online EBT systems are interoperable through the QUEST® network, which is sponsored by the Electronic Benefits and Services Council. QUEST® sets the rules for the distribution of government benefits. However, if Missouri limits TANF transactions to purchases only, it will be in violation of QUEST® operating rules. Missouri must remove any QUEST® logos from all Missouri EBT cards.

To limit EBT TANF transactions to purchases only, replacement Electronic Benefit Transfer (EBT) cards will have to be issued for every active TANF and SNAP eligibility unit in the state.

Fidelity National Information Services (FIS), the Missouri EBT contractor, has provided a cost estimate to implement the changes of this legislation. The increase from prior fiscal note estimates previously constructed by FIS did not take into consideration that all EBT cards would have to be destroyed/deactivated and reissued for all programs that utilize the EBT card for benefit distribution. In addition, all EBT programming would need to be altered for all EBT QUEST® states as participants would not be able to use their card in other states.

These estimates are based upon the following assumptions:

Recipient training and notification.

The State will provide their Temporary Assistance (TA) recipients with notice of the change in the way they can access their cash assistance benefits. Notice will be given prior to implementation of the change. The State will provide FIS with a copy of any notice or mailing given to the TA recipients to prepare the Recipient Help Desk [USA800] for any calls that they may receive.

The State will no longer be able to be QUEST®. Issuance of new EBT cards without the QUEST® logo will be required.

Re-contracting will be needed with every EBT-Only merchant, Third Party Processor (TPP) and Network if the State is no-longer QUEST®. All current contracts are QUEST® contracts.

No special reporting needs required by the State.

Assisted and non-assisted testing will not be required between FIS and the State.

Start Up Cost:

Development & Implementation	\$ 4,784.00
Notification to TPPs, Networks & EBT Processors	\$ 15.68

ASSUMPTION (continued)

Help Desk Call Support Cost:	
Client Help Desk Call Support	\$ 0.78 per minute
OIG Update	\$ 195.00

The State will be charged a Recipient Help Desk call minute surcharge if the total Missouri monthly call minutes increase by 10% or more over the average monthly minutes of the 3 months prior to implementation. The state will be subject to a surcharge of the per minute rate for each month that the call minutes are over 110% of that baseline for up to 6 months. The surcharge will be charged only for the call minutes in excess of 110% of the average monthly minutes of the 3 months prior to implementation. FSD assumes the calls will not exceed 110% of the average calls received the previous three months.

In addition, if the call volume per month exceeds 110% , FIS cannot guarantee that the call center service levels will be made.

Costs Associated with Switch to Non-Quest State

Switching from a QUEST State to a non-QUEST state will require the State to reissue all of their EBT cards to remove the QUEST logo from the back of the card. The following quotes are based on the current number of active cards on FIS' ebtEDGE System. These counts are being used for example purposes only. Final pricing will be calculated based on the actual count at the time this project is implemented.

Development/Implementation for Card Reissuance **\$ 84,578**

Write program to generate new cards for existing cardholder

Card Issuance **\$ 819,100.80**

The state Missouri has 597,585 active cards as of 12/2017. All cards will need to be deactivated and reissued to remove the QUEST logo

Plastic	\$ 75,705.06
Insert	\$ 31,074.42
Envelope	\$ 41,233.37
Printing & Inserting	\$358,551.00
Mailer	\$ 19,720.31
Postage	\$292,816.65

Reconstructing services with EBT-only merchants, TPP and Network **\$73,802.80**

Re-contracting Services w/ EBT-only, TPP and Networks

Currently 1,172 EBT-only Merchants, 30 TPPs and Networks	\$72,120.00
Postage for mail re-contracting	\$ 1,682.80

ASSUMPTION (continued)

<i>Destructions of Unusable Card Stock & Carriers</i>	<i>\$3,459.80</i>
Cards: Current inventory is 62,912	\$1,572.80
Carriers: Current inventory is 75,480	\$1,887.00

<i>Modifications to Card Carrier and Cash Case Notifications of Allowable Transactions</i>	<i>\$10,420.70</i>
Cash Only Cases - 1,690, FS & Cash Cases- 10,740	

Development & Implementation and Notification to TPPs, Networks & EBT Processors	\$4,799.68
Development/Implementation for Card Reissuance	\$84,578.00
Card Issuance	\$819,100.80
Reconstructing services with EBT-only merchants, TPP and Network	\$73,802.80
Destructions of Unusable Card Stock & Carriers	\$3,459.80
Modifications to Card Carrier and Cash Case Notifications of Allowable Transactions	\$10,420.70
OIG Update	\$195.00
TOTAL:	\$996,356.78

Therefore, the total estimated contracted costs FSD would incur is **\$996,356.78**, 100% TANF federal funding.

Section 208.182 - EBT Pilot Program

This section removes the language that created a pilot program that allowed EBT cards to get cash at ATM or point of sale terminals.

DSS officials provided the response from the **Office of Administration (OA), Information Technology Services Division (ITSD)/DSS**. OA, ITSD/DSS state the Family Assistance Management Information System (FAMIS) will have to implement changes to the Sanction/Disqualification process to implement the requirement where the system needs to reject a participant for 2 years from any TANF/SNAP benefits. In addition, ITSD will have to make

ASSUMPTION (continued)

extensive changes to the EBT system to automatically check purchase details looking for banned items and then passing these purchases to the Claims and Restitution system (CARS) for repayment. EBT will also have to notify FAMIS that a sanction/disqualification from any TANF/SNAP benefits for two years has occurred.

ITSD assumes that every new IT project/system will be bid out because all ITSD resources are at full capacity. The current contract rate for IT consultants is \$75 per hour.

It is estimated that IT consultants will require 1,566 hours to make the necessary changes to FAMIS and EBT systems at a cost of \$117,450 to the General Revenue Fund in FY 2019.

§208.246 - SNAP work requirements

Officials from the **Department of Social Services (DSS), Family Support Division (FSD)** and **Division of Legal Services (DLS)** provide the following information:

FSD determined that in November 2017:

- There were 44,043 Head of Households (HOH) (age 16-59) receiving Supplemental Nutrition Assistance Program (SNAP) benefits that would not meet an exemption and would be mandated to comply with work requirements.
- There was an additional 4,378 other household members (age 16-59) that would also be mandated to comply with work requirements.
- There was an additional 12,304 household members (age 16-59) that would be mandated to comply with work requirements; however, the head of household would not be mandated to comply with work requirements, due to an exemption or exclusion.
- The average individual received \$119.61 in SNAP benefits per month.

FSD assumes that 30% of SNAP recipients will comply with work requirements. FSD made this determination based on the average work participation rate of the mandatory work requirements for Temporary Assistance, which in SFY 17 had an average work participation rate of 20%. The goal is to increase the compliance rate with SNAP participants.

ASSUMPTION (continued)

Based on a 30% compliance rate, FSD determined that 42,507 ($44,043 + 4,378 + 12,304 = 60,725 * 70\%$) individuals will be affected if the provisions of this bill are enacted.

- 42,507 individuals ($60,725 * 70\%$) will be disqualified for noncompliance with the work requirements, which will result in a reduction in SNAP benefits of \$5,084,262 ($42,507 * \119.61) per month which is consistent for any disqualification period as a result of this legislation.
- FSD assumes an increase in:
 - o Applications if entire households are disqualified for 3 months or 6 months. The household will be required to reapply once the disqualification has expired.
 - o FSD estimates approximately a 5% increase in hearing requests a year, with the implementation of this bill.
- In SFY17 approximately 2,700 SNAP hearings were conducted. FSD assumes that approximately 5% of the Head of Household or individuals (42,507), who are disqualified from SNAP benefits, will request hearings. This will increase hearings by 2,125 ($42,507 * 5\%$) and could increase the total number of SNAP hearings to approximately 4,825 yearly ($2,700 + 2,125$).

The federal Food and Nutrition Services (FNS) program that provides funding for the SNAP program, encourages states to consider implementing an escalation of disqualification up to 18 months versus a two year disqualification for the third occurrence for noncompliance with the work requirements of the SNAP program.

The FSD assumes existing staff will be able to complete necessary additional work as a result of this proposal. However, FSD may need to request additional funding from FNS and additional appropriation authority to serve the additional individuals that will need to comply with this work requirement in order to not be disqualified. In addition, FSD plans to use existing available Temporary Assistance funds in the Missouri Work Assistance Program for work programs for SNAP able-bodied adults with children.

The FSD assumes Office of Administration (OA), Information Technology Services Division (ITSD) will include the Family Assistance Management Information System (FAMIS) programming costs for the system changes as well as the system generated notice needed to implement provisions of this bill in their response.

ASSUMPTION (continued)

Because SNAP benefits are 100% federally funded, FSD will not experience a fiscal impact due to any reduction in SNAP benefits that may result if this proposal is enacted. Therefore, there is no fiscal impact to the FSD.

DLS officials state DLS will have to administer additional hearings for each disqualification period sanctioned by this proposed rule.

FSD estimates hearings will increase by 2,125 ($42,507 * 5\%$) annually. One hearing officer can handle 544 hearings per year, so DLS will need to have 4 additional hearings officers (each at \$41,184 annually) ($2,125 / 544 = 3.9$ FTE, rounded up).

The DLS estimates the fiscal impact of this proposal to be \$257,046 for FY 2019; \$300,102 for FY 2020; and \$303,334 for FY 2021. Costs will be split 50% General Revenue/50% Federal Funds using Food Stamp administration funding.

Oversight notes in response to proposals from the current session where agencies indicate additional rental space will be required, officials from the **Office of Administration (OA), Division of Facilities Management, Design and Construction (FMDC)** have stated additional space in leased facilities for additional staff in the Cole County area is estimated at 230 sq. ft. per FTE times \$17.50 per sq. ft., or \$4,025 annually per FTE. These costs are building lease cost, fuel and utilities, and janitorial services. The assumption for the need for larger space and/or in other regions of the state, or possible new construction space, would be a higher cost per sq. ft. (estimated at \$24.50 per sq. ft.).

The DSS used a lease cost for the additional rental space needed for four (4) new FTE of \$21 per square foot. This is an average of the lease rates for the various regions in the state. Since it is unknown where these FTE will be located, lease costs have not been changed. However, Oversight is removing utility and janitorial costs since those costs are included in lease costs.

The DSS provided the fiscal impact statement for the **OA, Information Technology Services Division (ITSD)/DSS**. OA, ITSD/DSS states this bill adds a new section to Chapter 208, RSMo, to be known as 208.246.

It is assumed changes to FAMIS will require: 1) Screen changes, including adding new code/rules tables and table values to process the different codes, 2) Eligibility Determination changes to implement all the business rules mentioned for eligibility, as well as to reinstate after the disqualification period, 3) Forms and notice changes and/or new forms/notices to notify the participant if this cannot be done using existing methods, and 4) any new online/batch interface programs to obtain data if it has to be from any external sources.

ASSUMPTION (continued)

ITSD assumes that every new IT project/system will be bid out because all ITSD resources are at full capacity. The current contract rate for IT consultants is \$75 per hour. It is further assumed FAMIS program changes will require IT consultants 807.84 contract hours. The total FY 2019 cost is estimated to be \$60,588 (807.84 hours * \$75), split 50/50 between General Revenue and Federal funds.

Oversight notes 208.246.5 requires the provisions of section 208.246 to be implemented using existing resources. Therefore, Oversight assumes this section will not result in DSS hiring 4 FTE or incurring related expenses. In addition, Oversight assumes the OA, ITSD/DSS will perform any system modifications to FAMIS without the use of IT contract consultants. As a result, Oversight must assume this section of the proposal has no fiscal impact.

Bill as a whole

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

In response to the previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Costs - OA, ITSD/DSS (\$208.024)</u>			
IT consultants/ FAMIS changes	<u>(\$117,450)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$117,450)</u>	<u>\$0</u>	<u>\$0</u>
 FEDERAL FUNDS			
<u>Income - DSS (\$208.024)</u>			
Reimbursement for TANF card changes	\$996,358	\$0	\$0
<u>Costs - DSS (\$208.024)</u>			
Costs to change TANF cards from Quest to non-Quest and reissue	<u>(\$996,358)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may impact small business retailers if they do not re-sign with the State and recipients can't use their benefit cards in those establishments.

FISCAL DESCRIPTION

§208.024 - This bill changes the law regarding the use of Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) benefits via electronic benefit transfer (EBT) transaction.

The bill prohibits a recipient of TANF or SNAP from using his or her EBT card at any automated teller machine (ATM) to receive cash back on a purchase or to otherwise access the benefits as cash.

The bill requires that for any offense under this subsection, a TANF recipient shall lose his/her TANF benefits for three months for the first occurrence of noncompliance; for six months for the second occurrence of noncompliance; and disqualification for five years for any third or subsequent occurrence of noncompliance.

The Department of Social Services is required to apply for a waiver to implement restricting recipients of TANF or SNAP benefits from using his or her EBT card at any automated teller machine (ATM), to receive cash back on a purchase, or to otherwise access the benefits as cash if the department determines that such a waiver is necessary.

§208.246 - This bill requires any individual participating in the Supplemental Nutrition Assistance Program (SNAP) to comply with the work requirements described in federal statute and regulations. Any nonexempt participant who refuses or fails without good cause to comply with the work requirements will be ineligible to participate in the program for the duration of the disqualification period as follows: (1) For the first occurrence of noncompliance, the individual will be disqualified for three months; (2) For the second occurrence of noncompliance, the individual will be disqualified for six months; and (3) For the third occurrence of noncompliance, the individual will be disqualified for two years.

Except in cases of permanent disqualification, an individual may resume participation in SNAP at the end of a disqualification period if the individual applies again and is in compliance with the work requirements. A disqualified individual may be permitted to resume participation during a disqualification period by becoming exempt from the work requirements.

An individual disqualified under these provisions shall be entitled to a fair hearing under applicable federal and state law.

Subsection 208.246.5 requires section 208.246 to be implemented using existing resources.

This legislation is not federally mandated and would not duplicate any other program. This legislation would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services -
 Family Support Division
 Division of Legal Services
Joint Committee on Administrative Rules
Office of Administration -
 Information Technology Services Division/DSS
Office of Secretary of State

Ross Strope



Acting Director
April 16, 2018